

Message Text

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ACTION EB-08

INFO OCT-01 EA-07 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00
NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01
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R 280753Z JAN 77
FM AMEMBASSY TAIPEI
TO SECSTATE WASHDC 2414
INFO AMEMBASSY SEOUL
AMEMBASSY TOKYO

C O N F I D E N T I A L TAIPEI 0528

E.O. 11652: GDS
TAGS: ETRD, TW
SUBJECT: ROC SHOEMAKERS REACT TO PROPOSED U.S. TARIFF QUOTA

REF: TAIPEI 264

1. AT A MEETING CALLED BY THE BOARD OF FOREIGN TRADE (BOFT) JANUARY 25 WITH ROC SHOEMAKERS TO DISCUSS STRATEGY FOR COUNTERING THE TARIFF QUOTA ON NON-RUBBER FOOTWEAR PROPOSED BY THE ITC, BOFT DIRECTOR Y. T. WONG REPORTEDLY STATED THAT IF THE TARIFF QUOTA IS ADOPTED IT WILL RUN COUNTER TO THE PRINCIPLE OF FREE TRADE AND THAT, AS AN ADVOCATE OF FREE TRADE, THE ROC WILL OPPOSE ANY SUCH MEASURES.

2. INDUSTRY LEADERS EXPRESSED THE VIEW THAT THE PROPOSED RESTRICTIONS WERE "UNREASONABLE" AND APPARENTLY BASED ON 1974 SHIPMENTS WHEN THE EXPORT SLUMP REACHED BOTTOM. THEY TAKE THE POSITION THAT IF A TARIFF QUOTA IS INEVITABLE, IT SHOULD BE BASED ON 1976 SHIPMENTS AND THAT THE POST-QUOTA DUTY RATE SHOULD NOT EXCEED 25 PERCENT, WITH FOOTWEAR VALUED BELOW US\$2.50 A PAIR BEING EXCLUDED (THE AVERAGE PRICE OF FOOTWEAR EXPORTED BY THE ROC IS BELOW US\$2.50).

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3. AS INDICATED REFTTEL, THE ROC FOOTWEAR INDUSTRY IS MAKING PLANS TO UPGRADE THE QUALITY OF FOOTWEAR TO MAINTAIN THE DOLLAR VALUE OF EXPORTS IN THE FACE OF POSSIBLE DECLINES IN VOLUME. THIS MAY PROVE DIFFICULT FOR ROC MANUFACTURERS SINCE U.S. IMPORTERS ARE ACCUSTOMED TO BUYING LOW AND MEDIUM-PRICE GOODS FROM TAIWAN AND IT

WILL BE DIFFICULT TO CHANGE PROCUREMENT PATTERNS. ALSO MANY ROC FOOTWEAR MANUFACTURERS ARE NOT SUFFICIENTLY ADVANCED TO COMPETE IN HIGHER QUALITY LINES. THE PROPOSED TARIFF QUOTA WOULD FALL HARDEST ON THE SMALLER OF THE MORE THAN 400 FOOTWEAR PRODUCERS IN TAIWAN WHICH DO NOT HAVE THE RESOURCES REQUIRED TO UPGRADE QUALITY. AS WELL AS IMPROVING QUALITY, THE ROC FOOTWEAR MANUFACTURERS WILL ALSO SEEK TO DIVERSIFY THEIR MARKETS TO LESSEN THEIR RELIANCE ON EXPORTS TO THE UNITED STATES, AND TO SEEK NEW PRODUCT LINES.

4. IT IS DIFFICULT TO PREDICT HOW WELL THE ROC FOOTWEAR INDUSTRY COULD ADAPT TO THE PROPOSED TARIFF QUOTA, ALTHOUGH IT IS LIKELY THAT A NUMBER OF SMALLER AND LESS RESOURCEFUL FIRMS WOULD GO OUT OF BUSINESS. HOWEVER, THE PROPOSED TARIFF QUOTA COULD FORCE THE ROC FOOTWEAR INDUSTRY IN THE DIRECTION OF THE ANNOUNCED GROC POLICY OF UPGRADING INDUSTRY GENERALLY.
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